Relief Act which created the Roth IRA which has made IRAs available to millions of Americans. The response has been overwhelming. The Taxpayer Relief Act has jump-started personal savings and now we need to do the same for pensions.

Our society changed greatly over the last few decades and these changes have affected the workplace. It is now more common to change jobs than stay with one firm for an entire career. This makes it extremely important for us to address pension portability. Portability allows the employee to transfer the benefits of their pension when they change jobs. Changing jobs should not drastically affect one's pension.

Five million people with pensions change jobs every year. One-third of employees leave their job before reaching five years of employment. Under current law, an employee does not receive the employer's contribution until he or she has been employed for five years. This legislation will reduce the vesting period from five years to three years for employer contributions to defined contribution plans or allows benefits to become vested in increments of 20 percent for each year beginning after two years of service, with full vesting after the employee has completed six years of service.

This legislation allows employees of non-profit entities and public schools to take their retirement savings when they change jobs and put these savings into the retirement plan of their new for-profit or state or local government employer when they switch jobs. Participants of 457 defined contribution plans would be permitted to rollover their account balance into an IRA. The current 60-day rollover period is extended in cases of natural disaster and military service. Individuals faced with disaster will be able to avoid substantial tax penalties.

This legislation creates a new simplified tax-favored pension plan entitled Secure Money Annuity or Retirement Trust Plan, commonly referred to as the SMART Plan. These plans would provide participants with a minimum guaranteed benefit at retirement with Pension Benefit Guaranty Corporation insurance. Employees would immediately vest in the benefit contributions made and earnings that accrue under the plan. Funding would be provided either through an annuity or a trust. This type of funding allows SMART plans to be portable upon a job change. The SMART plan is a simplified defined benefit plan which contains the best attribute of a defined contribution plan which is portability.

I urge my colleagues to join us in protecting pensions for American workers.

THE RETIREMENT ACCESSIBILITY, SECURITY AND PORTABILITY ACT OF 1998

HON. SAM GEJDENSON

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Mr. GEJDENSON. Mr. Speaker, today, joined by dozens of our colleagues, I am proud to introduce the Retirement Accessibility, Security and Portability Act of 1998, comprehensive pension legislation which will increase access to our nation's private pension system, enhance the protection and security of our nation's retirement funds, boost options for portability within the system and restore a degree of gender equity to the system.

I have been working on this issue for a number of years now, and have been dedicated to it because of a number of factors. First, we are in a new world today. Today's worker does not go through life with one job. They move around a lot. They go from job to job, taking advantage of new training and opportunities. While this is great for economy, it also means that today's workers are not getting the kind of retirement benefits our parents had. Gone are the days when a person would work for one company, retire and collect one check a month.

I have also been concerned because 51 million Americans, half the American workforce, have no pension coverage. Of that, 32 million work in small businesses. This is a staggering fact, and we must do something to help people save more, particularly our nation's women and small business employees.

Women are particularly disadvantaged by our pension system. 12 million women in this country work in firms that do not offer pensions. Two thirds of today's working women are concentrated in industries that have the lowest pension coverage. Something must be done to improve this.

Once our nation's families are saving, it is essential that we protect those savings. Mr. Speaker, as many of our colleagues know, in the town of Westbrook in my eastern Connecticut district, about 80 employees working for a firm called Emergi-Lite began 1998 by finding out that their pension money was gone. They had been defrauded out of their money by a swindler. That swindler recently pleaded guilty and will be spending a few years in jail. Our pension system needs to tighten up so that tragedies like this do not happen again.

As I said earlier, the Retirement Accessibility, Security and Portability Act of 1998 is comprehensive pension reform legislation that seeks to solve some of these problems.

Since accessibility is a problem, particularly in small businesses, I propose a tax credit to cover a portion of the start-up and administrative costs of starting a pension plan. Many small employers at home in Connecticut have told me that the costs of starting a plan keep them from doing so. Since savings are a national priority, we should make it easier for small employers to help their employees to save.

In this legislation I also propose to establish a simple pension plan that guarantees monthly payments for life. The gentleman from Massachusetts, Mr. Neal, working with the President, brought this idea to my attention. In this bill we establish the SMART, or Secure Money Annuity or Retirement Trust. This is a new, simple kind of annuity plan that will bring people into the retirement savings system in a way that guarantees benefits for as long as a retiree lives. This is something that will benefit millions of Americans.

We also are introducing in this bill new security protections. When this bill becomes law, participants in a plan, either defined benefit or defined contribution, will begin receiving statements of how their investments are doing. If the employees can see their money grow, they will be more in tune to when there are problems.

Finally Mr. Speaker, we make a number of changes in this bill to restore a sense of gender equity to our retirement savings system. While the changes outlined above will benefit all workers, they will benefit women in particular, since they are more likely to lack retirement coverage. We have in this bill a series of improvements, however, for women in particular. For example, we have new safeguards to ensure that pension benefits are not overlooked when a couple divorces. We add a new option for federal workers to increase benefits for women who outlive their husbands. We add a new hotline targeted at women so they have somewhere to turn when pension questions arise.

Mr. Speaker, I want to thank so many of my colleagues and their staffs for the work they have done in putting this bill together. In particular, I would like to thank Leader GEPHARDT, Mr. NEAL, Mr. RANGEL, Senator DASCHLE, Mr. POMEROY, Mrs. KENNELLY, Senator MOSELEY-BRAUN, Mr. ANDREWS, Mr. JEFFERSON, Mr. PAYNE, Ms. STABENOW, Mr. PRICE, Mr. MCNULTY, and Mr. MCDERMOTT. Their work, and the work of their staff, has been of enormous help in bringing this legislation forward.

It is my hope, Mr. Speaker, that the Leadership of this House, and the Chairmen of the Committees of jurisdiction bring this bill forward for consideration. The issue of Retirement Security is an incredibly important one to our nation's working families. There is no more important effort our leaders can make.

Mr. Speaker, I submit a detailed, section by section summary of the bill for the RECORD.

THE RETIREMENT ACCESSIBILITY, SECURITY AND PORTABILITY ACT OF 1998

TITLE I—EXPANDING PENSION COVERAGE AND ACCESS

Increases Coverage through Access to Payroll Deduction for Retirement Savings.—An employee would be allowed to make contributions of up to $2,000 tax-free to his or her IRA through automatic payroll deductions from wages. This would be in lieu of taking the deduction at the end of the year on the individual's tax return. The immediate tax benefit received by the individual is more beneficial than the deduction taken many months later. In addition, contributions of small amounts would be more appealing to low-income workers than a one-time contribution of $2,000.

Increases Coverage through a Nonrefundable Tax Credit For IRA Contributions made by Low-Income Workers.—The maximum credit of $450 per year would be more beneficial to low-income workers than the $2,000 deduction because many of these workers are in the 15-percent tax bracket. The benefit would be delivered to taxpayers on a sliding scale basis. Thus, the lowest income workers, who need to save some minimum amount for their retirement, would be provided with the greatest tax benefit under the credit.

Creates Flexibility by Allowing Penalty-Free IRA Withdrawals in Cases of Long-Term Unemployment. An employee would be permitted to make penalty-free (but not tax-free) withdrawals from an employer sponsored plan such as 401(k) or 403(b), as well as an IRA, in cases of unemployment that exceeds the receipt of benefits for 12 consecutive weeks. (§ 132, HR 1130)

Enhances Accountability by Requiring that Pension Plan Participants be Given Periodic Benefit Statements. Pension plans would be required to provide plan participants and beneficiaries with benefit statements reflecting the balance and activity of the participants' or beneficiaries' accounts at least annually for defined contribution plans (such as 401(k)) and at least once every three (3) years for defined benefit plans. This is in lieu of providing benefit statements only upon request.

Expands and Increases Coverage through a New Simplified Tax- Favored Defined Benefit Pension Plan. The new simplified defined benefit plan, known as Secure Money Annuity or Retirement Trust (SMART), would provide small employers with the option of offering retirement benefits through a defined benefit plan while at the same time providing employees with the attractive feature of full portability. SMART would provide each participant with a minimum guaranteed benefit upon retirement. The participant would be poised to receive a larger retirement benefit than the guaranteed amount if the investment on the plan assets out-perform the presumed rate of return. Benefits would be guaranteed by the Pension Benefit Guaranty Corporation (PBGC).

Expands Coverage for Non-highly Compensated Employees through Modification to 401(k) Safeharbors. An employer who chooses to offer a 401(k) plan under certain safe harbors that are provided for these types of plans would be required to a make an employer minimum contribution of one percent of compensation for each eligible employee. This ensures a minimum benefit for each eligible plan participant. The minimum employer contribution would be made without any reference to whether the employee made an elective deferral and would be in addition to any employer matching contribution.

Improves the Nondiscrimination Rules for 401(k) Plans (See above)

Increases Benefits by Requiring Sponsors of the SIMPLE Plan to Make a Minimum Contribution. Employers who offer the new simplified 401(k) plan (SIMPLE) would be required to make a minimum contribution of one percent of each eligible employee's compensation on behalf of each eligibel participant without reference to whether such participant makes an elective deferral.

Enhances Benefits through Simplifying the Definition of Highly Compensated Employee. The definition of a highly compensated employee would be determined under a two-pronged test rather than the current three-pronged test. Thus, a highly compensated employee would be determined either by compensation or ownership.

Increases Benefits by Waiving Certain Section 415 Limits for Multiemployer Plans. Benefits accrued under a multi-employer plan would be paid to the plan participant (or beneficiary) without reference to the 100-percent-of-compensation limit set forth under section 415. In addition, certain survivor and disability benefits would be exempted from adjustments for early commencement and for participation and service of less than 10 years.

Expands Access by Exempting Mirror Plans From Section 457 Limits. The amount of savings employees of state and local governments and not-for-profits entities could save through nonqualified deferred compensation plans would be increased.

Expands Coverage through Immediate Participation in the Thrift Savings Plan. Federal employees would be allowed to choose whether they want to participate in the Thrift Savings Plan immediately upon beginning employment. This will enable these employees to get into the habit of saving for retirement early in their employment and give them valuable tax benefits that would otherwise be lost during the current 6- to 12-month required waiting period.

Enhances the Stability of Funded Benefits by Simplifying the Full Funding Limitation for Multiemployer Plans. The current limit on deductible contributions, which is based on a specified percentage of current liability, would be repealed with respect to multiemployer plans. This will permit deductible contributions in the amount by which the accrued liability of the plan exceeds the value of the plan assets.

Simplifies Certain Vesting Requirements for Multi-employer Plans. The current partial termination rules, which require that participants become 100-percent vested in their accrued benefits (to the extent funded) upon a partial termination of a qualified retirement plan, would be repealed.

Enhances the Stability of Funded Benefits by Repealing the 150-Percent-of-Current Liability Funding Limit. A defined benefit plan is considered to be fully funded if the plan has reached the following limitation—the lesser of (1) 150 percent of current liability or (2) the accrued liability (including normal cost) under the plan. Contributions made to a plan that has reached its full funding limit are not deductible and the employer could be subject to an excise tax. A plan at 150 percent of current liability may still have excess accrued liabilities. The 150-percent-of-current liability funding limit would be repealed. This also would permit employers to fund-up their plans in good years in planning for the bad years.

Expands Coverage through a Tax Credit for Start-Up Expenses of Newly Established Pension Plans. Small employers who establish certain new pension plans would be allowed to claim a credit for the first three years of maintaining the plan with respect to administrative and educational expenses of the plan. The credit would be up to 50 percent of permissible expenses within certain limitations. The types of pension plans that would be eligible for the credit would be any new defined benefit or defined contribution plan, including 401(k), SIMPLE, or payroll deduction IRA arrangement.

TITLE II—ENHANCING PENSION SECURITY AND ACCOUNTABILITY

Enhances Accountability of Benefits by Improving Disclosure Requirements With Respect to Plan Participants and Beneficiaries. Sponsors of small 401(k) plans (less than 100 participants) would be required to furnish to participants and beneficiaries annual investment reports detailing information the Secretary of Labor determines to be pertinent to such individuals. Also, such reports would be required to be provided to participants of a defined benefit plan once every three (3) years. These changes also would apply for purposes of multi-employer plans.

Enhances Accountability of Benefits by Requiring Certain Information to be given to Investment Managers of 401(k) plans. If a sponsor of a 401(k) plan contracts the investment and management of the plan to another person, the plan sponsor is required to provide such person with sufficient information that would permit the investment manager to separately account for each participant's accrued benefits even if the contract does not require such separate accounts.

Requires a Study on Collectibles. The Secretary of Labor in consultation with the Secretary of the Treasury is requested to conduct a study on the extent of investment of pension plans in collectibles and whether such investments present a risk to the pension security of such plans. The report would be due no later than twelve months (12) after the enactment of the bill.

Enhances the Security of Benefits by Prohibiting Credit Card Loans From or Against Qualified Employer Plans. A qualified plan would be prohibited from making any loan to a plan participant or beneficiary through the use of a credit card or any other intermediary.

Expands Guaranteed Multi-employer Plan Benefits. The maximum level of annual benefits guaranteed to each employee under a multi-employer plan would be increased from $5,850 (set in 1980) to $12,870.

Simplifies Certain Rules Governing the Department of Labor's Authority to Assess Civil Monetary Penalties on Prohibited Transactions. Certain conforming changes would be made to parallel a similar excise tax that applies to certain pension plans under the Internal Revenue Code.

Simplifies Certain Rules Applicable to Substantial-Owner Rules and Plan Terminations. The more complex rules currently used to determine PBGC guaranteed benefits for 10-percent owners of a business would be repealed. Such benefits would be calculated under the same rules that apply to all other plan participants.

Enhances Benefit Security by Requiring a Report on Pension Reversions. The Secretary of Labor, as Chair of the PBGC, would be required to report annually to the President and Congress regarding pension reversions.

Enhances Benefits Security by Repealing the Limited Scope Audit for Certain Pension Plans. Plan assets that are held by certain regulated financial institutions would be required to be included within the accountant's audit of the plan. This provision is not meant to require that the plan's accountant duplicate the work of the independent accountant who audits the financial institution's books and records. It merely requires the plan's accountant to use the Report on the Processing of Transactions Service Organization under American Institute of Certified Public Accountants Statement on Auditing Standards No. 70.

Enhances Benefits Security by Creating Reporting and Enforcement Requirements for Employee Benefit Plans. The plan administrator would be required to notify the Secretary of Labor within five (5) business days whenever the administrator has determined that there is evidence that an irregularity may have occurred with respect to the plan, or has received notice from the accountant that the accountant has similarly determined that there is evidence that an irregularity may have occurred. Also, the administrator would also be required to furnish a copy of such notification to the accountant engaged to audit the plan's financial statements.

Enhances Benefit Security through Additional Requirements for Qualified Public Accountants. The ERISA definition of ''qualified public accountant'' would be modified to include regulatory requirements and qualifications that the Secretary deems necessary to ensure the quality of plan audits.

Requires Inspector General study to be conducted by Department of Labor focusing on the need for regulatory standards and procedures to authorize the Secretary of Labor to prohibit persons from serving as qualified accountants.

Enhances Benefit Security by Increasing the Excise Tax on Plan Reversions. Under current law, corporations with defined benefit plans that are actuarially over-funded may remove, without a tax penalty, only certain excess assets needed to fund retiree health benefits within prescribed limitations or to establish an employee stock ownership plan. Termination of a plan without establishing a new plan, or removal of assets for any other reason, is subject to a maximum excise tax of 50-percent plus the normal corporate tax that would otherwise apply. The maximum excise tax would be increased to 65-percent plus the normal corporate tax that would otherwise apply.

TITLE III—IMPROVING PORTABILITY OF PENSION BENEFITS

Expands Coverage through Faster Vesting of Employer's Matching Contributions to Defined Contribution Plans. The plan participant would be fully vested after completing three (3) years of service (cliff vesting) or six (6) years of service (graded vesting). Under cliff vesting no part of the benefit vests to the participant until the participant has completed at least three years of service. Under graded vesting, the benefit is vested to the participant in 20-percent increments beginning after the participant has completed two (2) years of service. Current law provides for five-year cliff vesting and seven-year graded vesting.

Enhances Portability of Benefits under 410 (k) plans. Severance from employment would be a permissible event for the plan to make a distribution of the account balance to each plan participant who may exercise his or her option to roll over the balance to another plan or an IRA.

Enhances Portability of Benefits Between Defined Contribution Plans. Transfers of account balances held in defined contribution plans would be permitted to be transferred to another defined contribution plan without requiring complete replication of distribution options. Such transfers would be permitted only where the participant knowingly and voluntarily elects the transfer and any applicable spousal consent rights were respected prior to the transfer.

Enhances Portability of Benefits by Expanding PBGC's Missing Participants Program. The PBGC's missing participants program would be extended to defined contribution plans such as a 401(k). The PBGC would act as a clearing house for terminated plans of employers who have moved, changed names, or gone out of business. This would enable participants of those plans to receive their pension benefits under the plan.

Enhances Portability of Benefits Held by Certain Employees of Non-Profit Entities and Public School Systems. Employees of certain employers who participate in a 403(b) plan would be permitted to roll their account balance into the new for-profit employer-sponsored plan when they change employment.

Enhances Portability of Benefits held by Participants of 457 Deferred Compensation Plans. Employees of certain non-profit entities and/or state/local governments who participate in a section 457 plan would be permitted to roll their account balance (to the extent funded) to and IRA upon termination of employment.

Enhances the Portability of Benefits through modifying the 60-Day Rollover Period in Certain Cases. In cases of natural disaster and military service the 60-day rollover period would be extended to provide relief against substantial tax penalties that would otherwise result from missing the 60-day rollover deadline.

Expands Coverage and Enhances Portability through the Purchase of Certain Service Credits. Employees of state and local governments, especially teachers who often move between states and school districts in the course of their careers, would be permitted to use funds from their 403(b) or 457 defined contribution plans to purchase service credits for qualification of full benefits under a defined benefit plan.

TITLE IV—COMPREHENSIVE WOMEN'S PENSION PROTECTION

Enhances Certain Government Pension Benefits. Modifies benefits offset for certain surviving spouses who are retired government workers by reducing only two-thirds (2/3) of their combined Social Security spousal benefit that exceeds $1,200 a month. This current offset is a two-thirds reduction of their total monthly government pension benefit.

Enhances Pension Benefits for Many Plan Participants through Repeal of Social Security Integration by Year 2004. Qualified pension plans which integrate the plan benefits with Social Security benefits would be required to adopt the limited integration rules included in the Tax Reform Act of 1986 with respect to benefits attributable to plan years prior to 1988. In addition, integration would be repealed completely for benefits accrued for plan years beginning in the year 2004. Benefits under SEP (Simplified Employee Pension) plans could not be integrated.

Enhances Benefit Security for Benefits Under a Qualified Benefit Plan Upon Divorce. The non-participating spouse would be entitled to an automatic share of the pension benefits, except where such benefits are protected by a valid and enforceable agreement which constitutes a part of the equitable division of property pursuant to the divorce. The participating spouse would be required to notify the plan of divorce proceedings that have been undertaken. The provision would apply in cases of couples who have been married for five years or more.

Enhances Benefits of Certain Spouses With Respect to Railroad Retirement. The requirement that a former husband must have started collecting his own railroad retirement benefits in order for the former spouse to receive his or her benefits pursuant to an annuity would be repealed.

Enhances Tier II Railroad Retirement Benefits to Surviving Spouses After Divorce. Payment of benefits to a surviving spouse pursuant to a divorce agreement, annulment, legal separation, or any other Court approved termination of the marriage would not be terminated upon the death of the participating spouse.

Enhances Benefits of Surviving Spouses of Certain Civil Servants. Surviving spouses (and former spouses if awarded pursuant to divorce) of employees who died while eligible for a deferred annuity under the Civil Service Retirement System (CSRS) would be allowed to elect to receive either (1) 55 percent of the former employee's deferred annuity, commencing when the employee's deferred annuity would have commenced had the employee lived; (2) the actuarial equivalent of the amount determined under (1) above, but commencing at the time of the former employee's death; or (3) a refund of the former employee's retirement contributions.

Enhances Benefits for Former Spouses of Federal Employees. Courts would be authorized to require the ex-husband to name his former wife as beneficiary under the pension plan of all or a portion of any refunded contributions.

Enhances the Security of Benefits of Certain Spouses of Plan Participants. The participating spouse's plan would be required to provided the participant's spouse with a copy of the explanation of survivor benefits and options under the plan in the same manner as provided to the plan participant.

Enhances Certain Spousal Benefits with Respect to Joint and Survivor Annuities. Modifies the current survivor annuity requirements to provide that the plan participant may elect to have the benefit paid in the form of a qualified joint and two-thirds (2/3) survivor annuity.

Enhances Security of Spousal benefits Under all Defined Contribution Plans. All defined contribution plans would be required to offer the option of a joint and survivor annuity.

Enhances Spousal Benefits Under 401(k) Plans. The spousal consent requirement that applies to defined benefit plans would be extended to defined contribution plans to prevent the participants from draining all the benefits from the plan to the detriment of the non-participating spouse.

Expands and Enhances the Benefits of Participants Who Utilize Leave Under the Family and Medical Leave Act. Hours for leave taken under the Family and Medical Leave Act would be credited under the employee's pension plan for purposes of participating in the plan and vesting of the participant's benefits under the plan.

Enhances Pension Benefits for Plan Participants With an Emphasis on Serving Women. A toll-free hotline would be established by the Department of Labor to serve as a resource for women on pension issues; a source of referrals for the caller to the appropriate agencies; and a source for applicable printed materials.

HONORING RIVERDALE ROTARY CLUB

HON. ELIOT L. ENGEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Mr. ENGEL. Mr. Speaker, the Rotary Club of Riverdale is celebrating its tenth anniversary and in that relatively short time this fine group has reached around the world to help people.

Rotary's motto is Service Above Self and its object is to encourage and foster the idea of service. The Riverdale Rotary Club is an exemplar of that motto and ideal.

The Riverdale Rotary has made itself a part of the community by contributing to the community. We may say that its ideal is charity, the love of giving to others.

Among its many activities are annual community awards, sponsoring the first annual Riverfest Music Festival, giving annual awards to area high schools, participating in the arthritis Foundation Mini-Grand Prix, contributions to the Rotary Foundation for Ambassadorial Scholarship for postgraduate study, contributions to the Riverdale Mental Health Association, the Bronx Arts Ensemble, the Bronx Municipal Hospital and Riverdale Neighborhood House.

The generosity of club members reaches across the hemispheres to Kenya, where Riverdale Rotary sponsors two scholarships and contributes to a school library, and Ethiopia, where the club president Gilda Chirafisi travelled to join with Rotarians from Addis Ababa to inoculate hundreds of children against childhood disease.

The Riverdale Rotary Club is an essential part of the community. But what marks it apart is its essential spirit of giving. I join the community in celebrating the tenth anniversary of the Rotary Club of Riverdale and look forward to celebrating many more anniversaries with them.

IN MEMORY OF MRS. MAXINE SHORE

HON. MARCY KAPTUR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Ms. KAPTUR. Mr. Speaker, it is with sadness yet also gratitude, that I enter in this RECORD the life of Mrs. Maxine Shore, an American of enormous talent and creativity whose 86 years of life contributed to the enrichment of America and our literary heritage. Her life of continuous learning and perseverance throughout holds an example for all who knew her, and all who will enjoy her writings for generations to come. Our deepest sympathies are extended to her son, Steven, her many friends, and associates.

IN REMEMBRANCE: A BIO OF MAXINE SHORE AUTHOR AND TEACHER

Maxine Shore, a prolific author and teacher, died June 2, 1998, at her home in Carmel,